

Office of the
Legislative Fiscal Analyst

FY 2005 Budget Recommendations

Joint Appropriations Subcommittee for
Capital Facilities and Administrative Services

Utah Department of Administrative Services
Internal Service Funds
Division of Fleet Operations

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1.0 Summary: Division of Fleet Operations

The Division of Fleet Operations was established as a new division of Administrative Services in 1997. Utah Code (63A-9-401) empowers the division to coordinate all purchases of state vehicles, establish fleet authorization and information systems, and make rules for all aspects of vehicle acquisition maintenance, resale, and utilization. The division also includes the State and Federal Surplus property programs, which were housed in the Division of Purchasing and General Services prior to 1997.

	Analyst FY 2005 Base	Analyst FY 2005 Changes	Analyst FY 2005 Total
Financing by Revenue Source			
Dedicated Credits - Intragvt Rev	\$38,418,300	(\$336,200)	\$38,082,100
Total	\$38,418,300	(\$336,200)	\$38,082,100
Expenditures by Program			
ISF - Motor Pool	\$23,004,100	\$0	\$23,004,100
ISF - Fuel Network	14,660,900		14,660,900
ISF - State Surplus Property	691,500		691,500
ISF - Federal Surplus Property	320,700	(320,700)	
Total	\$38,677,200	(\$320,700)	\$38,356,500
Profit/(Loss)	(\$258,900)	(\$15,500)	(\$274,400)
FTE/Other			
Total FTE	46	(2)	44
Authorized Capital Outlay	\$13,870,200	\$0	\$13,870,200
Retained Earnings	\$2,098,100	\$0	\$2,098,100
Vehicles	4,240		4,240

2.0 Issues

2.1 General Fund Borrowing

During the 1999 General Session, the Legislature appropriated \$4 million of ongoing General Fund to reduce the growth of General Fund borrowing in the Division of Fleet Operations. The subsidy allowed the Division to transition to a new rate structure that more appropriately reflects the full cost of vehicle ownership. With the new rates, the Division stabilized the level of General Fund Borrowing and can now operate effectively without additional appropriations.

2.2 Response to Intent Language

Last year the Legislature enhanced intent language that required a five percent reduction in fleet size.

It is the intent of the Legislature that agencies shall comply with the five percent fleet reduction as directed in Senate Bill 1, 2002 General Session through reductions in vehicles scheduled for replacement. It is further the intent of the Legislature that agencies shall not use vehicles classified as "specialty" or "construction" vehicles in meeting the five percent figure. (Item 60 - HB 1, 2003 General Session)

The Analyst presented a report regarding this compliance during the September Executive Appropriations Committee meeting. The Analyst found that the Division met the strict definition of compliance with the five percent reduction, but that “many of the vehicles returned will have no impact on daily motor pool sizes.”¹ The report, which can be found following the 4.0 section of this report, recommended that future efforts to reduce fleet size be accomplished through budget reductions.

2.3 Confirmation of Vehicle Counts

Last year the Legislature approved intent language requiring state motor pool agencies to confirm vehicle counts with the Division of Fleet Operations.

It is the intent of the Legislature that every department of state government and the Utah System of Higher Education (including UCAT) provide written confirmation of fleet size and composition to the Division of Fleet Operations no later than June 30, 2003. It is further the intent of the Legislature that the Division of Fleet Operations reconcile fleet counts to the statewide Fleet Anywhere Database to use as a baseline for future analysis and potential audit of fleet size and composition.

The Division now has confirmation from all user agencies, providing a baseline for future analysis or audit functions.

¹ Walthers, Kevin (September, 2003). *Update on Fleet Reduction and Verification Efforts*, p. 5. Salt Lake City, Utah: Office of the Legislative Fiscal Analyst. <http://www.le.state.ut.us/interim/2003/pdf/00000867.pdf>

2.4 Alternative Fuel Vehicles

The Division of Fleet Operations is required by Federal law to operate alternative fuel vehicles (AFV). The law mandates that 75 percent of all new vehicles purchased by the state must be able to operate on a fuel other than gasoline (although hybrid-electric is not a recognized class). To meet this mandate, DFO operates vehicles that run on Compressed Natural Gas (CNG) exclusively, CNG and gasoline, or ethanol and gasoline (Flex-Fuel Vehicles or FFVs). The table below reflects the current composition of AFVs in the fleet.

AFVs in the State Fleet	
Bi-fuel (CNG/Gas)	234
CNG	32
FFV (Gas/Ethanol)	432
Hybrid	4
Total AFV	702

Source: Division of Fleet Operations

Flex Fuel Vehicles offer the state the best price and the most functionality in meeting federal AFV requirements. Even though the FFVs are generally larger than a bi-fuel vehicle (a Ford Taurus vs. a Chevrolet Cavalier), they average approximately \$2,000 less to the state to purchase new. FFVs are also more functional for users since they offer the passenger space of a sedan without giving up trunk space for a second fuel tank.²

Average Cost of AFVs in the State Fleet	
Bi-fuel (CNG/Gas)	\$17,568
CNG	\$20,165
FFV (Gas/Ethanol)	\$15,659
Hybrid	\$19,200

Source: Division of Fleet Operations

The Analyst expressed concern with AFV policy in 2001, noting that “the state has paid thousands of dollars for an extra fuel tank, accepted lost trunk space that interferes with agency missions and still incurred the higher fuel and maintenance costs associated with gasoline powered engines.”³ The higher cost associated with maintenance comes from the lack of CNG utilization by user agencies. Since CNG burns cleaner, maintenance costs for vehicles running on the cleaner fuel should be lower than that of a similar gasoline powered vehicle. However, bi-fuel vehicles can run on either fuel and are most often only refilled with gasoline due to the inconvenience of using the CNG dispenser. Even though the Division implemented programs to encourage CNG use it still accounts for only 1.37 percent of consumption in state vehicles (see table, next page).

² Bi-fuel and CNG-dedicated vehicles lose as much as eighty percent of trunk space due to the addition of the extra fuel tank.

³ Walthers, Kevin (November, 2001). *Update on Fleet Issues*, p. 9. Salt Lake City, Utah: Office of the Legislative Fiscal Analyst.

Fuel Utilization: State Network (in gasoline gallon equivalents)					
	<i>FY 1999</i>	<i>FY 2000</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
CNG	179,230	194,013	230,698	223,592	267,932
Gasoline	15,465,288	15,278,584	16,613,614	17,471,800	19,240,100
Total	15,644,518	15,472,597	16,844,312	17,695,392	19,508,032
CNG %	1.15%	1.25%	1.37%	1.26%	1.37%
<i>State Only Sales FY 2001-2003</i>			<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>
CNG			24,016	77,319	95,921
Gasoline			5,646,372	5,895,521	6,814,908
Total			0.43%	1.31%	1.41%

Source: Division of Fleet Operations and OLFA

Given the high cost of CNG equipped vehicles and the limited utility that they offer to state agencies, the Analyst believes that DFO should focus on Flexible Fuel Vehicles to meet federal mandates. This would allow DFO to lower rates by eliminating the Alternative Fuel Vehicle fee that spreads the cost of AFVs to all user agencies.

*Bi-Fuel vehicles
carry no residual
value for the state*

Beyond lower rates for state agencies, the state loses residual value when it sells a CNG vehicle. State law allows a tax deduction equal to half of the incremental cost associated with a qualifying alternative fuel vehicle (up to \$3,000). When DFO surpluses a CNG vehicle the buyer is eligible to claim the full \$3,000 credit – although DFO does not see the reduction, tax collections as whole are impacted by this. Eliminating the deduction is not a likely solution since these vehicles have little utility as private vehicles. If the tax deduction were not available, it is likely that DFO would have to sell the cars for much less than resale value of its gasoline-only counterpart. Since FFVs do not carry the same incremental cost for the dual-fuel system, the state receives full value for the vehicle and does not see a reduction in tax collections.

In 2001 the Analyst recommended eliminating bi-fuel vehicles as part of the state fleet. DFO resisted this change, citing a lack of stations offering ethanol (or E-85, the alternative fuel used in FFVs) and its efforts to increase CNG utilization. Ethanol is now available along the Wasatch Front and well-planned attempts to get user agencies to fuel with CNG have not worked as desired. The Division reports that it has not purchased a bi-fuel vehicle since 2002 and is now focused on the use of FFVs to comply with federal mandates. **The Analyst believes that the state is best served through the purchase of FFVs and recommends that the Legislature direct the Division to continue using FFVs to meet federal requirements until such time that bi-fuel and CNG-dedicated vehicles become cost effective for the state as a whole.**

3.0 Programs: Internal Service Fund – Fleet Services

3.1 Fleet Services - Administration

	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
Financing				
Total	\$0	\$0	\$0	\$0
Expenditures				
Personal Services	\$578,200	\$662,200	\$657,500	(\$4,700)
In-State Travel	500	1,500	1,300	(200)
Out of State Travel	3,100	3,200	6,000	2,800
Current Expense	34,700	34,900	37,000	2,100
DP Current Expense	35,600	47,800	44,400	(3,400)
DP Capital Outlay	7,500	3,100	4,000	900
Other Charges/Pass Thru	(659,600)	(752,700)	(750,200)	2,500
Total	\$0	\$0	\$0	\$0
Profit/(Loss)	\$0	\$0	\$0	\$0
FTE/Other				
Total FTE	8	10	10	0
Capital Outlay	\$9,100	\$9,100	\$9,100	\$0

*Non-state funds as estimated by agency

The Administration program is responsible for the accounting and budget functions of the Division of Fleet Operations, including the statewide fleet management information system (CARS database). This section is also responsible for billing and associated activities. In addition, it coordinates the annual rate package for Internal Service Funds and distributes the annual fleet operations budget for the Division.

In response to Legislative concerns that Administration overhead appeared to be growing faster than programs, the Division reduced costs to push overhead below two percent of total expenditures.

	<u>FY 2001-2003 Actual</u>			<u>FY 2004-2005 Estimated</u>	
	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>
Total Expenditures	\$37,312,700	\$35,626,200	\$40,602,600	\$38,662,400	\$38,677,200
Adminsitration	\$842,400	\$822,900	\$659,600	\$752,700	\$750,200
Overhead	2.26%	2.31%	1.62%	1.95%	1.94%

Source: OLFA Meribah Database

3.2 Fleet Services - Motor Pool

	2003	2004	2005	Est/Analyst
Financing	Actual	Estimated*	Analyst	Difference
Dedicated Credits - Intragvt Rev	\$22,576,000	\$22,552,500	\$22,552,500	\$0
Total	\$22,576,000	\$22,552,500	\$22,552,500	\$0
Expenditures				
Personal Services	\$993,100	\$1,043,800	\$1,037,700	(\$6,100)
In-State Travel	2,000	2,300	2,000	(300)
Out of State Travel	700	2,900	2,900	
Current Expense	10,024,700	8,924,400	8,881,500	(42,900)
DP Current Expense	66,800	71,700	70,700	(1,000)
DP Capital Outlay	44,800	15,600		(15,600)
Other Charges/Pass Thru	1,262,400	670,500	636,500	(34,000)
Depreciation	12,475,100	12,249,800	12,372,800	123,000
Total	\$24,869,600	\$22,981,000	\$23,004,100	\$23,100
Profit/(Loss)	(\$2,293,600)	(\$428,500)	(\$451,600)	(\$23,100)
FTE/Other				
Total FTE	18	19	19	0
Capital Outlay	\$13,890,500	\$12,804,185	\$13,695,200	\$891,015
Retained Earnings	3,034,700	2,606,200	2,154,600	(451,600)
Vehicles	4,753	4,754	0	(4,754)

*Non-state funds as estimated by agency

Fleet Operations is responsible for all management accountability associated with the operation of statewide vehicle fleet, central motor pool operation, division wide safety objectives/compliance and the underground storage tank program. The central motor pool operates a vehicle fleet of approximately 4,200 vehicles and manages several small daily rental mini-pools located along the Wasatch front. The program also administers the division safety program, vehicle accident management program, federal alternative fuel program and coordinates the statewide underground storage tank program.

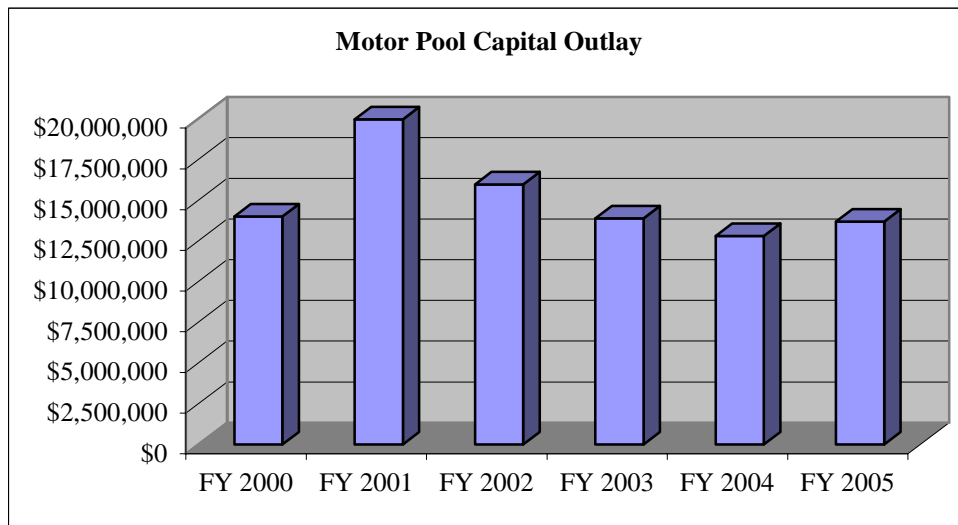
Capital Outlay

Since FY 2000 agencies and institutions have been required to capitalize any fleet expansion prior to purchase. Therefore, the Capital Outlay recommendation is only for replacement vehicles currently authorized to be in the fleet - any addition to the State fleet must be approved and funded by an agency's appropriation committee prior to acquisition by the Division of Fleet Operations. For Fiscal Year 2005, the Analyst supports the Division request for authority to purchase replacement vehicles in an amount not to exceed \$13,695,200 and recommends lapsing \$5,144,600 in unused authorization in FY 2004.

Motor Pool Capital Outlay Authority			
	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>
	<i>Actual</i>	<i>Estimated</i>	<i>Recommended</i>
Replacement Vehicles	\$13,890,500	\$17,948,600	\$13,695,200
Lapsing Recommendation		(5,144,600)	
Total	\$13,890,500	\$12,804,000	\$13,695,200

Note to capital authorization

The Analyst is recommending this level of capital authorization subject to the availability of working capital. Absent any other mechanism, the majority of the funding for fleet capitalization will come from General Fund borrowing.



Source: DFO and OLFA

DFO Report Cards

In working with State Agencies and Higher Education to maximize fleet management, the Division of Fleet Operations prepares quarterly report cards that measure progress on objective standards. Summary information is presented here.

Fall 2002 DFO Report Cards			
	Fall 2002	Fall 2003	Cummulative
<i>Summary</i>	GPA	GPA	GPA
BATC	3.5	3.6	2.9
CEU	2.3	2.1	2.9
CEUSJC	2.3	2.3	1.4
DATC	2.7	2.5	2.8
Dixie College	3.4	3.2	3.3
UDOT	3.7	3.6	3.1
Fleet Ops	3.8	3.4	3.4
DNR	2.8	2.5	2.4
OWATC	2.5	1.8	2.2
Snow College	2.9	3.2	2.3
SLCC	3.5	3.8	3.0
SUU	3.7	3.8	3.4
UBATC	3.4	2.8	3.4
Uof U	3.4	3.6	2.7
USU	3.2	3.5	2.8
UVSC	2.8	2.6	2.4
WSU	3.6	3.7	2.8

Source: DFO Fleet Anywhere Database

Three issues stand out on the report card: a drop in score for DFO, the lack of scores for the National Guard and the noticeable drop by many agencies in scores. DFO offered the following explanation as part of the reporting process:

Fleet Operations grade is lower this time because responsibility for several topics such as Contacts, PM's Due, etc is being placed upon the Agencies Leasing Equipment. Next spring a "Mini" Report Card will be distributed to Agencies leasing Equipment from DFO in an effort to encourage them to assist more in keeping the data in line with compliance standards.

The initial grades National Guard was given have been voided. They are working closely with Fleet Operations to understand the expectations and learn how to use the FleetFocus System.

To be fair, many of the State Agencies that are included on this years grading, were not aware of the Report Card procedure/expectations in time. Steps are being taken to ensure that ALL Agencies are aware of and take advantage of the Seminars that Fleet Operations offers.⁴

The Analyst believes the Legislature should reinforce to state agencies and institutions the critical need to comply with the fleet program. The state fleet value exceeds \$50 million. Failure to properly manage this program will result in significant hidden costs to the state.

3.3 Fleet Services - Fuel Network

	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
Financing				
Dedicated Credits - Intragvt Rev	\$14,687,200	\$14,694,500	\$14,701,800	\$7,300
Total	<u>\$14,687,200</u>	<u>\$14,694,500</u>	<u>\$14,701,800</u>	<u>\$7,300</u>
Expenditures				
Personal Services	\$454,600	\$461,700	\$460,100	(\$1,600)
In-State Travel	200	600	400	(200)
Out of State Travel	500	1,000	1,100	100
Current Expense	13,803,800	13,855,800	13,863,700	7,900
DP Current Expense	16,500	15,400	16,300	900
Other Charges/Pass Thru	256,400	148,600	119,900	(28,700)
Depreciation	152,900	174,200	199,400	25,200
Total	<u>\$14,684,900</u>	<u>\$14,657,300</u>	<u>\$14,660,900</u>	<u>\$3,600</u>
Profit/(Loss)	<u>\$2,300</u>	<u>\$37,200</u>	<u>\$40,900</u>	<u>\$3,700</u>
FTE/Other				
Total FTE	9	9	9	0
Capital Outlay	\$19,300	\$275,000	\$175,000	(\$100,000)
Retained Earnings	(447,500)	(410,200)	(369,400)	40,800
Vehicles	2	3	0	(3)

*Non-state funds as estimated by agency

This program centrally manages all aspects associated with the Division's telecommunication services, computer information systems, and consolidated electronic refueling stations. The Fuel Network uses capital outlay authorizations primarily to replace card readers and fuel tank monitors. For FY 2005 the Analyst supports the agency request for \$175,000 in Capital Outlay as described below.

- *Card Readers* The GasCard program includes more than 100 participants. A key component of the program is a card reader system that collects data on fuel efficiency and utilization.
- *Tank Monitor Replacements* Tank monitors are a depreciating asset subject to changing technology. Without scheduled updates, the replacement parts will become more expensive than complete replacement. Updates from older systems are able to incorporate new technology without complete replacement costs and provide the ability to increase the level of functionality.
- *Pathway Plus* The Fuel Network program implemented an automatic inventory and compliance system for all fuel sites.

Fuel Network Capital Outlay Authority			
	FY 2003 Actual	FY 2004 Estimated	FY 2005 Recommended
Card Readers		\$100,000	\$100,000
Fuel Communication Project		100,000	
Tank Monitors		75,000	75,000
Misc.	19,300		
Total	<u>\$19,300</u>	<u>\$275,000</u>	<u>\$175,000</u>

⁴ Division of Fleet Operations Report Card

3.4 Surplus Property

Federal Surplus Property

	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
Financing				
Dedicated Credits - Intragvt Rev	\$336,200	\$336,200	\$0	(\$336,200)
Total	<u>\$336,200</u>	<u>\$336,200</u>	<u>\$0</u>	<u>(\$336,200)</u>
Expenditures				
Personal Services	\$172,000	\$144,200	\$0	(\$144,200)
In-State Travel	100	300		(300)
Out of State Travel	5,100	6,400		(6,400)
Current Expense	121,400	123,700		(123,700)
DP Current Expense	6,900	6,400		(6,400)
DP Capital Outlay	4,400	4,200		(4,200)
Other Charges/Pass Thru	36,000	29,900		(29,900)
Depreciation	12,700	12,600		(12,600)
Total	<u>\$358,600</u>	<u>\$327,700</u>	<u>\$0</u>	<u>(\$327,700)</u>
Profit/(Loss)	<u>(\$22,400)</u>	<u>\$8,500</u>	<u>\$0</u>	<u>(\$8,500)</u>
FTE/Other				
Total FTE	3	2	0	(2)
Retained Earnings	(\$59,700)	(\$51,200)	(\$35,700)	\$15,500
*Non-state funds as estimated by agency				

Federal Surplus losses are growing

The Federal Surplus Program acquires and donates federal property to public and non-profit agencies, which presently exceed 600 accounts. A handling fee is charged to agencies acquiring surplus property. These dedicated credits fund the operation while offering a means for state, county, and local agencies to purchase equipment at reduced rates. However, rates charged since 1998 failed to recover sufficient amounts to cover operating expenses. Although the division anticipates a profit in FY 2004 and 2005, the Analyst is skeptical that such success can be found in the program.

Federal Surplus Property Profit/Loss				
Year	Revenue	Expense	Profit (Loss)	Retained Earnings
1994	\$732,164	\$522,750	\$209,414	\$431,809
1995	\$602,032	\$571,372	\$30,660	\$462,469
1996	\$655,853	\$589,698	\$66,155	\$528,624
1997	\$398,888	\$559,049	(\$160,161)	\$368,463
1998	\$374,344	\$697,468	(\$323,124)	\$45,339
1999	\$798,577	\$770,823	\$27,754	\$73,093
2000	\$623,722	\$518,148	\$105,574	\$178,667
2001	\$338,284	\$526,972	(\$188,688)	(\$10,021)
2002	\$340,400	\$347,600	(\$7,200)	(\$17,221)
2003	\$336,300	\$358,800	(\$22,500)	(\$39,721)
2004 (Est.)	\$336,200	\$327,700	\$8,500	(\$31,221)
2005 (Est.)	\$336,200	\$320,700	\$15,500	(\$15,721)
Averages	\$489,414	\$509,257	(\$19,843)	

Source: DFO and OLFA

Performance Measures

The Department of Administrative Services and the Division of Fleet Operations continue to make the Federal Surplus property plan solvent. Two years ago the Division attempted to increase the number of eligible donees, but found that they had previously over-counted donees to begin with and that eligibility was already near 100 percent. Two quantitative measures, property donated and law enforcement donations, failed to get much more than fifty percent of their stated goal.

Federal Surplus Performance Measures				
	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2003 Goal</i>	<i>Difference</i>
Property Donated	\$7,511,000	\$5,100,000	\$11,266,500	(\$6,166,500)
Law Enforcement Donations	\$1,009,337	\$873,400	\$1,514,006	(\$640,606)

Source: Division of Fleet Operations

The Analyst concern regarding solvency for the program continues. Local governments and non-profit entities eligible for donated property claim that the service allows them to purchase equipment they could not otherwise afford, but even these clients seem to be turning to other sources: The Utah State Agency for Surplus Property (USASP)

donated for fiscal year 2003, approximately \$5.1M of federal property, based on Federal acquisition cost. However, **the property values, in USASP opinion, are often overstated in terms of condition and utility.** Donations are down significantly from previous year. The conflicts in Afghanistan and Iraq have frozen much of the federal surplus for donation except for those items in poor repair. USASP clients often consider alternatives to buying new when operating budgets have been reduced. However, these same clients have cutback projects and spending, doing only their high priority requirements.⁵ (emphasis added)

At this point, it seems that the program is providing little value to the state. Despite the best efforts of the Agency, the quality of the property available continues to decline and the interest in purchasing it seems to decline along with it. Unlike State Surplus Property, the Federal Program is not an essential function of state government. **The Analyst believes that the program should be shut down by the end of FY 2004 and any remaining retained earnings should be absorbed by the Division of Fleet Operations.**⁶

⁵ Utah State Agency for Surplus Property (2003). *Annual Report to the Legislature: FY 2003*, p. 2. Salt Lake City, Utah: Department of Administrative Services.

⁶ The Program will have to continue its responsibility to check donees for compliance with Federal Regulations, but this task can be managed by employees in the State Surplus Property Program.

*State Surplus
Property*

	2003	2004	2005	Est/Analyst
Financing	Actual	Estimated*	Analyst	Difference
Dedicated Credits - Intragvt Rev	\$881,200	\$907,100	\$827,800	(\$79,300)
Total	\$881,200	\$907,100	\$827,800	(\$79,300)
Expenditures				
Personal Services	\$352,900	\$351,900	\$350,100	(\$1,800)
In-State Travel	700	500	700	200
Current Expense	244,400	241,800	241,900	100
DP Current Expense	9,700	8,100	7,200	(900)
DP Capital Outlay	4,500	4,500	4,500	
Other Charges/Pass Thru	58,000	70,400	67,900	(2,500)
Depreciation	19,300	19,200	19,200	
Total	\$689,500	\$696,400	\$691,500	(\$4,900)
Profit/(Loss)	\$191,700	\$210,700	\$136,300	(\$74,400)
FTE/Other				
Total FTE	7	7	7	0
Retained Earnings	(\$7,500)	\$203,200	\$339,500	\$136,300
Vehicles	12	12	12	(12)

*Non-state funds as estimated by agency

The Division sells state agency surplus property to the public subject to a 30-day purchase priority that is given to state and local government agencies. The best possible price is obtained by using varied sales methods; i.e., warehouse direct sales, sealed bids, spot bids and auction sales to the public.

*Program is showing
profitability*

The new rate structure for State Surplus Property allows the program to retain total proceeds from all sales in order to fund operating expenses. At the point in which the program shows a profit and no longer carries a negative retained earning balance the Division will proportionately rebate profits to state agencies. Unlike the Federal program, the State Surplus program is now showing signs of profitability and will be able to begin rebating earnings to state agencies in FY 2005.

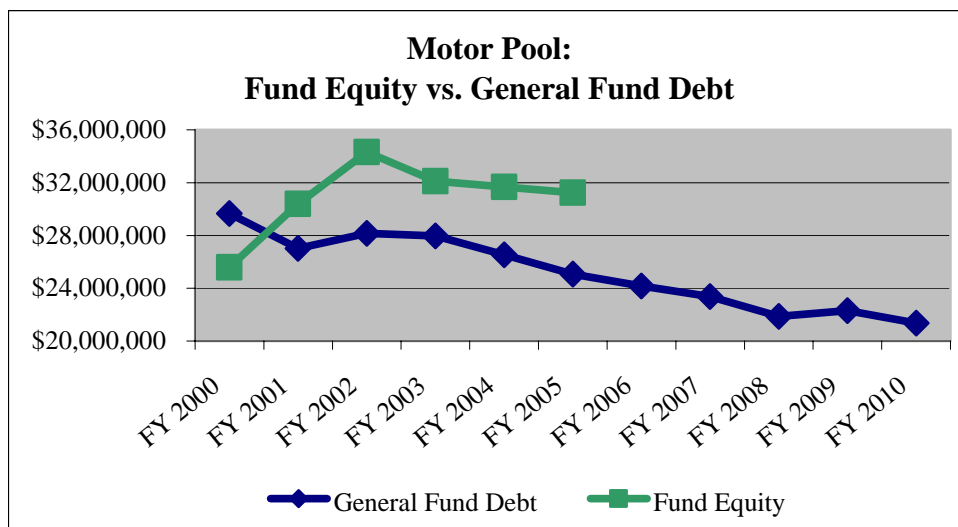
Profitability is a bonus for the State in relation to disposal of old equipment. In addition to properly disposing of equipment in accordance with environmental law, State Surplus Property provides a consistent accountability structure for disposal of property. With a central system the State is protected against fraud and claims of fraud in the disposition of surplus property.

3.5 Fleet Capitalization

*General Fund subsidy
allowed DFO to set
accurate rates*

The Legislature appropriated \$4 million to the Division of Fleet Operations in Fiscal Year 2000 to help reduce the need for General Fund borrowing. In order to balance statewide budget needs part of the money was eliminated as part of FY 2002 Supplemental Appropriations and the entire appropriation was transferred to other needs in FY 2003.

During the three years that the Legislature subsidized agency lease rates the Division of Fleet Operations established more accurate rates that reflect the true cost of operating a vehicle. Additionally, the Legislature required any fleet expansion to include not only legislative approval, but also capitalization funds in advance. By doing this, the Division not only abated growth in General Fund debt, it actually reversed the trend of continually rising debt. Allowing DFO to borrow from the General Fund for replacement vehicles provides flexibility to the state so long as the Motor Pool remains in a positive equity position and the State Treasurer can continue to manage the state's finances.



Source: Utah Division of Finance, Utah Division of Fleet Operations and OLFA.

Note: Actual numbers for FY 2000-2003. FY 2004-2010 estimated.

Fund equity includes the value of assets (vehicles and revenue) compared to liabilities (expenses and General Fund debt). Since consolidation of the fleet and establishment of more accurate rates, fund equity increased by more than twenty percent.

4.0 Additional Information

	2001	2002	2003	2004	2005
Financing by Revenue Source	Actual	Actual	Actual	Estimated*	Analyst
Dedicated Credits - Intragvt Rev	\$37,424,500	\$36,297,100	\$38,480,600	\$38,490,300	\$38,082,100
Total	\$37,424,500	\$36,297,100	\$38,480,600	\$38,490,300	\$38,082,100
Financing by Program					
ISF - Motor Pool	\$20,740,000	\$21,824,300	\$22,576,000	\$22,552,500	\$22,552,500
ISF - Fuel Network	15,704,000	13,231,900	14,687,200	14,694,500	14,701,800
ISF - State Surplus Property	597,200	900,600	881,200	907,100	827,800
ISF - Federal Surplus Property	383,300	340,300	336,200	336,200	
Total	\$37,424,500	\$36,297,100	\$38,480,600	\$38,490,300	\$38,082,100
Expenditures					
Personal Services	\$2,450,200	\$2,647,800	\$2,550,800	\$2,663,800	\$2,505,400
In-State Travel	10,200	5,000	3,500	5,200	4,400
Out of State Travel	14,600	12,100	9,400	13,500	10,000
Current Expense	24,844,600	21,494,000	24,229,000	23,180,600	23,024,100
DP Current Expense	137,900	112,500	135,500	149,400	138,600
DP Capital Outlay	154,700	103,100	61,200	27,400	8,500
Capital Outlay		32,700			
Other Charges/Pass Thru	449,600	1,055,300	953,200	166,700	74,100
Depreciation	9,250,900	10,163,700	12,660,000	12,455,800	12,591,400
Total	\$37,312,700	\$35,626,200	\$40,602,600	\$38,662,400	\$38,356,500
Profit/(Loss)	\$111,800	\$670,900	(\$2,122,000)	(\$172,100)	(\$274,400)
FTE/Other					
Total FTE	51	49	45	46	44
Authorized Capital Outlay	\$20,098,600	\$33,805,100	\$13,909,800	\$13,079,185	\$13,870,200
Retained Earnings	\$2,967,900	\$3,973,900	\$2,529,100	\$2,357,100	\$2,098,100
Vehicles	4,683	4,744	4,278	4,255	4,240

*Non-state funds as estimated by agency.